



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

**STEVEN A. PATTERSON
State Auditor**

**WILLIAM S. JONES, CPA
Director, Department of Audit**

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Director, Division of College and University Audits**

DELTA STATE UNIVERSITY

**Audited Financial Statements
For the Year Ended June 30, 1995**

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

FINANCIAL AUDIT REPORT

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State of Mississippi
OFFICE OF THE STATE AUDITOR
STEVEN A. PATTERSON
AUDITOR

INDEPENDENT AUDITOR'S REPORT

January 29, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the accompanying balance sheet of Delta State University as of June 30, 1995, the related statement of changes in fund balances and the statement of current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of Delta State University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta State University at June 30, 1995, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed as supplemental information in the table of contents, including the Schedule of Federal Financial Assistance and the Schedule of Disbursements for Each Student Financial Assistance Program, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Delta State University. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards we have also issued a report dated January 29, 1996, on our consideration of Delta State University's internal control structure and a report dated January 29, 1996, on the institution's compliance with laws and regulations.

A handwritten signature in black ink, appearing to read "Wm S Jones", with a long horizontal line extending to the right.

WILLIAM S. JONES, CPA
Director, Department of Audit

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

AUDITED FINANCIAL STATEMENTS

DELTA STATE UNIVERSITY
Balance Sheet
June 30, 1995
(With Comparative Figures at June 30, 1994)

Exhibit A

ASSETS	Current Year	Prior Year	LIABILITIES AND FUND BALANCES	Current Year	Prior Year
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 4)	\$ 6,114,034	6,386,082	Accounts payable and accrued expenses	\$ 1,670,449	1,978,344
Accounts receivable:			Accrued leave (Note 2)	1,098,130	1,031,636
State appropriation	72,298	87,113	Deferred credits	888,632	762,067
Students, less allowance of			Fund balances:		
\$135,000 (1995) and			Allocated		
\$132,700 (1994)	190,547	71,577	General	932,318	940,441
Other	149,070	133,477	Designated	239,069	287,205
Inventories	1,000,419	970,703	Auxiliary	2,285,820	2,278,931
Prepaid items and deferred charges	428,246	187,467	Unallocated		
Due from other funds	245,460	337,431	General	1,085,656	895,226
Total Current Unrestricted Funds	<u>8,200,074</u>	<u>8,173,850</u>	Total Current Unrestricted Funds	<u>8,200,074</u>	<u>8,173,850</u>
Current Restricted Funds:			Current Restricted Funds:		
Other accounts receivable	369,528	423,155	Accounts payable and accrued expenses	10,101	30,294
Prepaid items and deferred charges		625	Due to other funds	245,460	337,431
			Fund balance:		
			Allocated	113,967	56,055
Total Current Restricted Funds	<u>369,528</u>	<u>423,780</u>	Total Current Restricted Funds	<u>369,528</u>	<u>423,780</u>
Total Current Funds	<u>\$ 8,569,602</u>	<u>8,597,630</u>	Total Current Funds	<u>\$ 8,569,602</u>	<u>8,597,630</u>
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 165,213	262,791	Fund balances:	\$ 1,625,841	1,590,108
Other accounts receivable	4,739	12,974	Federal	271,851	241,251
Notes receivable:			Institution		
Federal student loans, less allowance of					
\$203,000 (1995) and					
\$203,000 (1994) (Note 6)	1,559,430	1,399,909			
Institutional student loans (Note 6)	168,310	155,685			
Total Loan Funds	<u>\$ 1,897,692</u>	<u>1,831,359</u>	Total Loan Funds	<u>\$ 1,897,692</u>	<u>1,831,359</u>

Endowment and Similar Funds		
Cash and other deposits (Note 4)	\$ 21,244	21,244
Total Endowment & Similar Funds	<u>\$ 21,244</u>	<u>21,244</u>

Plant Funds		
Cash and other deposits (Note 4)	\$ 3,192,809	1,627,665
Investments (Note 5)	124,244	372,692
Other accounts receivable	74,386	395,296
Prepaid items and deferred charges	101,612	107,589
Land	829,462	823,462
Improvements other than buildings	4,089,251	3,281,844
Buildings	33,582,934	33,469,139
Furniture, machinery and equipment	7,061,272	7,169,726
Books and films	6,177,969	5,862,361
Assets under capital leases (Note 7)	2,780,381	2,303,613
Construction in progress (Note 8)	8,807,950	5,582,243
Total Plant Funds	<u>\$ 66,822,270</u>	<u>60,995,630</u>

Agency Funds		
Cash and other deposits (Note 4)	\$ 37,354	24,521
Deferred compensation plan assets at fair market value (Note 10)	116,534	104,240
Total Agency Funds	<u>\$ 153,888</u>	<u>128,761</u>

Endowment and Similar Funds		
Fund balances:		
Endowment	\$ 21,244	21,244
Total Endowment & Similar Funds	<u>\$ 21,244</u>	<u>21,244</u>

Plant Funds		
Accounts payable	\$ 9,348	170,076
Bonds payable (Note 7)	1,939,631	2,124,631
Obligations under capital leases (Note 7)	1,054,240	1,056,185
Fund balances:		
Unexpended	967,412	440,394
Renewals and replacements	2,122,175	1,454,886
Retirement of indebtedness	394,116	437,886
Net investment in plant	60,335,348	55,311,572
Total Plant Funds	<u>\$ 66,822,270</u>	<u>60,995,630</u>

Agency Funds		
Accounts payable and accrued expenses	\$ 153,888	105
Due to depositors		128,656
Total Agency Funds	<u>\$ 153,888</u>	<u>128,761</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

DELTA STATE UNIVERSITY
Statement of Changes in Fund Balances
For the Year Ended June 30, 1995

Exhibit B

	Current Funds			Loan Funds	Endowment and Similar Funds	Plant Funds			
	Unrestricted	Restricted	Total			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions									
Tuition and fees	\$ 9,146,217	17,980	9,164,197						
State appropriations	17,388,669		17,388,669			3,351,444			
Federal grants and contracts		3,810,347	3,810,347	29,080		58,922	89,795	10,310	
State grants and contracts	116,500	105,206	221,706						
Private gifts, grants & contracts	1,200	125,932	127,132	26,250			600		
Investment income	389,262	763	390,025	3,071		12,061	35,206	10,159	
Interest on loans receivable				29,840					
Additions to plant facilities									5,551,921
Retirement of indebtedness									684,332
Sales and services of educational activities	459,306		459,306						
Sales and services of auxiliary activities	5,907,787		5,907,787						
Other	463,014	3,125	466,139	22,271		102,821	543,395		
Total Rev. & Other Additions	33,871,955	4,063,353	37,935,308	110,512		3,525,248	668,996	20,469	6,236,253
Expenditures & Other Deductions									
Educational and general:									
Instruction	12,869,252	430,242	13,299,494						
Research	162,623	519,523	682,146						
Public service	114,130	385,985	500,115						
Academic support	2,412,163	119,777	2,531,940						
Student services	2,807,147	51,643	2,858,790						
Institutional support	2,443,152	42,567	2,485,719						
Operation & maint. of plant	2,178,336	4,379	2,182,715						
Student aid	1,495,278	2,517,445	4,012,723						
Total Educational and General	24,482,081	4,071,561	28,553,642						
Auxiliary	4,909,836	117,311	5,027,147						
Loan cancellations and write-offs				35,081					
Collection costs				4,616					
Administrative costs recovered		38,181	38,181	14,175					
Indirect costs recovered		77,465	77,465						
Repairs and maintenance							2,509,141		
Expended for plant facilities						3,668,691			
Plant assets sold or retired									715,090
Retirement of indebtedness								684,332	

Interest on indebtedness								132,482	
Long-term debt incurred									497,387
Provision for uncollectible accts.	2,300		2,300						
Provision for accrued leave	66,494		66,494						
Other	20,168	131	20,299					9,345	
Total Expenditures and Other Deductions	29,480,879	4,304,649	33,785,528	53,872		3,668,691	2,509,141	826,159	1,212,477
Transfers - Additions (Deductions)									
Mandatory:									
Principal and interest	(717,320)		(717,320)				(102,862)	820,182	
Restricted fund matching	(288,191)	288,191							
Loan fund matching	(9,693)		(9,693)	9,693					
Total Mandatory	(1,015,204)	288,191	(727,013)	9,693			(102,862)	820,182	
Other:									
Building projects	(3,319,000)		(3,319,000)		670,461	2,706,801	(58,262)		
Other	(11,017)	11,017							
Total Other	(3,330,017)	11,017	(3,319,000)		670,461	2,706,801	(58,262)		
Total Transfers	(4,345,221)	299,208	(4,046,013)	9,693	670,461	2,603,939	761,920		
Net Increase (Decr.) for Year	45,855	57,912	103,767	66,333	527,018	763,794	(43,770)	5,023,776	
Fund Balance at Beg. of Year									
As Previously Reported	4,401,803	56,055	4,457,858	1,831,359	21,244	440,394	1,454,886	437,886	55,311,572
Adjustments (Note 3)	95,205		95,205				(96,505)		
Restated	4,497,008	56,055	4,553,063	1,831,359	21,244	440,394	1,358,381	437,886	55,311,572
Fund Balance at End of Year	\$ 4,542,863	113,967	4,656,830	1,897,692	21,244	967,412	2,122,175	394,116	60,335,348

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

DELTA STATE UNIVERSITY
Statement of Current Fund Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1995
(With Comparative Figures for the Year Ended June 30, 1994)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 9,146,217	17,980	9,164,197	9,041,585
State appropriations	17,388,669		17,388,669	12,006,175
Federal grants and contracts		3,647,675	3,647,675	4,141,314
State grants and contracts	116,500	105,206	221,706	65,723
Private gifts, grants and contracts	1,200	125,932	127,132	82,315
Investment income	389,262	763	390,025	231,615
Sales and services of educational activities	459,306		459,306	429,860
Sales and services of auxiliary activities	5,907,787		5,907,787	5,620,622
Other	463,014	3,125	466,139	326,288
Total Revenues and Other Additions	33,871,955	3,900,681	37,772,636	31,945,497
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	12,869,252	430,242	13,299,494	11,343,947
Research	162,623	519,523	682,146	722,550
Public service	114,130	385,985	500,115	737,752
Academic support	2,412,163	119,777	2,531,940	2,048,331
Student services	2,807,147	51,643	2,858,790	2,280,835
Institutional support	2,443,152	42,567	2,485,719	2,149,902
Oper. & maintenance of plant	2,178,336	4,379	2,182,715	2,263,825
Student aid	1,495,278	2,517,445	4,012,723	4,121,012
Total Educational and General Expenditures	24,482,081	4,071,561	28,553,642	25,668,154
Mandatory transfers:				
Principal and interest	454,160		454,160	348,932
Restricted fund matching	258,863	(258,863)		
Loan fund matching	9,693		9,693	5,208
Total Educational and General	25,204,797	3,812,698	29,017,495	26,022,294
Auxiliary enterprises:				
Expenditures	4,909,836	117,311	5,027,147	4,927,191
Mandatory transfers:				
Principal and interest	263,160		263,160	194,809
Restricted fund matching	29,328	(29,328)		
Total Auxiliary Enterprises	5,202,324	87,983	5,290,307	5,122,000
Total Expenditures and Mandatory Transfers	30,407,121	3,900,681	34,307,802	31,144,294
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		162,672	162,672	136,289
Building projects	(3,319,000)		(3,319,000)	(730,000)
Other	(11,017)	11,017		
Administrative costs recovered		(38,181)	(38,181)	(48,405)
Indirect costs recovered		(77,465)	(77,465)	(91,331)
Provision for uncollectible accounts	(2,300)		(2,300)	(30,236)
Provision for accrued leave	(66,494)		(66,494)	(216,087)
Other	(20,168)	(131)	(20,299)	
Total Other Transfers - Additions (Deductions)	(3,418,979)	57,912	(3,361,067)	(979,770)
Net Change in Fund Balance	\$ 45,855	57,912	103,767	(178,567)

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

DELTA STATE UNIVERSITY

Summary of Significant Accounting Policies For the Year Ended June 30, 1995

The significant accounting policies followed by Delta State University are described below to enhance the usefulness of the financial statements to the reader.

(1) Basis of Accounting.

The financial statements have been prepared generally in accordance with the accounting principles outlined in the Financial and Reporting Manual for Higher Education and the American Institute of Certified Public Accountants Industry Audit Guide on Audits of Colleges and Universities

The accompanying financial statements have been prepared generally on the accrual basis with the following exceptions, which are common practices in colleges and universities:

- A. Depreciation on physical plant and equipment has not been provided.
- B. To the extent that Current Funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures, in the case of normal acquisition and/or replacement of moveable equipment and library books; (b) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewals and replacements; and (c) transfers of a nonmandatory nature for all other cases.
- C. Interest on student loans is recorded only when received.
- D. Interest expense on debt is recorded when paid.

Gifts, grants and pledges are generally recorded when received or when billable.

Investments are recorded at cost if purchased or if acquired by gift at fair market value at the time of donation.

Property, buildings and equipment are stated at cost at the date of acquisition or fair market value at date of donation. Improvements made as part of repair and renovation projects are capitalized based upon institution estimates which approximate cost. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the institution, are capitalized.

Merchandise for resale inventories and consumable supply inventories are stated at cost, with cost being determined principally by the first-in, first-out method.

All revenues and related expenditures incurred in connection with summer sessions are reported within the fiscal year in which the summer sessions are predominantly conducted.

Service activities at the institution are those activities which provide general services benefiting many funds. Service activities include physical plant services and telecommunications. These activities' expenditures are maintained in the Current Unrestricted General Fund and Current Auxiliary Fund, respectively. These activities' expenditures are allocated to other funds based upon a user charge system.

DELTA STATE UNIVERSITY

Summary of Significant Accounting Policies For the Year Ended June 30, 1995

(2) Fund Accounting.

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the institution are maintained in accordance with the principles of "fund accounting." This accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The Current Funds are used primarily to account for transactions which are expended in performing the primary and support objectives of the institution.

Current Funds consist of the following:

- A. The Unrestricted Fund which is used to account for:
 - 1. The appropriated budget as approved by the Mississippi State Legislature and the Board of Trustees of State Institutions of Higher Learning.
 - 2. The unrestricted resources designated for specific purposes by the institution's administration.
 - 3. The transactions of substantially self-supporting activities that primarily provide services for students, faculty and staff.
- B. The Restricted Fund which is used to account for Current Funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Other funds consist of the following:

- A. The Loan Funds are used to account for loans to students. Resources to provide loans are derived primarily from the federal government. Provisions of the federal loan program stipulate that:
 - 1. The institution matches one-ninth of the federal contributions.
 - 2. A portion of the loan principal and interest (maximum of 30% per year) will be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.
- B. Endowment and Similar Funds which are subject to the restrictions of donor gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.

DELTA STATE UNIVERSITY

Summary of Significant Accounting Policies
For the Year Ended June 30, 1995

- C. The Plant Funds which are used to account for the transactions relating to institution physical properties include:
1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties.
 2. The Renewals and Replacements Plant Fund which represents reserves to provide for maintenance and equipment replacement, established primarily pursuant to terms of bond indentures.
 3. The Retirement of Indebtedness Plant Fund which represents resources held for the retirement of and interest on debt and includes sinking funds established under bond indentures and lease amortization payments accumulated, but not yet due.
 4. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress as well as any associated liabilities.
- D. Agency Funds account for assets held by the institution as custodian or fiscal agent for others. Consequently, the transactions of this fund do not affect the statement of changes in fund balances.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 1995

(1) Appropriations - General Operations.

Delta State University is a state supported institution that receives annual appropriations for operations from the state of Mississippi. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of the institution.

(2) Accrued Leave.

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave.

Nine-month employees earn major medical leave at a rate of 131/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 152/5 hours per month for eight to 15 years of service; and from 15 years of service and over, 16 hours per month are earned. There is no limit on the accumulation of sick leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

The liability for accrued leave at June 30, 1995, as reported in the Current Funds, was as follows:

Accumulated annual leave	\$	952,556
Accumulated major medical leave		<u>145,574</u>
Total	\$	<u>1,098,130</u>

(3) Prior Period Adjustments.

For the year ended June 30, 1995, the auditors recorded prior period adjustments which consisted of the following additions and deductions to the various fund balances:

Explanation		Additions (Deductions)
General Fund		
To correctly record state appropriations revenue which was already accrued in the prior year in the Renewal and Replacement Fund.	\$	95,205
Renewals and Replacement Fund		
To correctly record prior year accrual of state appropriations revenue.		(96,505)

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 1995

(4) Cash and Other Deposits.

For financial statement purposes cash and other deposits are represented by demand deposits; time deposits such as savings accounts, certificates of deposit and money market funds; plus short-term investments of agencies of the U.S. Government and U.S. Treasury bills. Also included in this account are imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 1995, was \$9,530,654, of which \$3,000,258 represented short-term investments. The depository balance, including accrued interest of \$99,492, was \$10,368,510. The portion of such depository balance covered by federal depository insurance was \$263,364; \$7,073,409 was covered by collateral held in the institution's name or its agent; and \$3,031,737 was short-term investments of the U.S. Government or U.S. Treasury bills which were uninsured and unregistered with securities held by the counterparty's trust department or agent in the name of the institution.

(5) Investments.

The following table presents the carrying and market value of investments by type and categorizes the carrying amounts as follows: category 1 are those which are insured or registered, or held by the institution or its agent; category 2 are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the institution; and, category 3 are those which are uninsured or unregistered, with securities held by the counterparty or by its trust department or its agent but not in the name of the institution.

	Category			Carrying Amount	Market Value
	-1-	-2-	-3-		
U.S. Treasury Obligations	\$		124,244	124,244	124,244
Total	\$ <u>0</u>	<u>0</u>	<u>124,244</u>	<u>124,244</u>	<u>124,244</u>

(6) Notes Receivable From Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing six to nine months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 1995:

	Interest Rates	Unpaid Balance 6-30-95
Perkins student loans	3% to 5%	\$ 1,762,430
Institution loans	5%	168,310
Total Notes Receivable		<u>1,930,740</u>
Less: Allowance for Doubtful Accounts		203,000
Net Notes Receivable		<u>\$ 1,727,740</u>

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 1995

(7) Long-term Debt.

The institution has long-term obligations of the following:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity Date	Amount Owed at 6-30-95
A. Bonded Debt.				
General Obligation Bonds:				
Student housing bonds of 1971, Series 1	\$ 1,000,000	4.00 - 5.25%	1/96	\$ 55,000
Delta State University Educational Building Corporation Revenue Bonds, Series 1991 (Residence Hall Project)	2,259,631	4.78 - 6.40%	12/11	1,884,631
Total Bonded Debt	<u>\$ 3,259,631</u>			<u>\$ 1,939,631</u>
B. Capital Leases.				
Carlyle Capital Markets, Inc., capital leases to purchase computer system	\$ 1,504,653	4.55734%	1/96 - 6/98	\$ 245,611
Carlyle Capital Markets, Inc., capital leases to purchase aircraft	798,960	5.3927 - 5.47999%	12/96 - 6/98	353,051
Carlyle Capital Markets, Inc., capital leases to purchase computer equipment	497,387	7%	1/95 - 12/99	455,578
less: software acquired but not capitalized	<u>(20,619)</u>			
Total computer equipment lease	<u>476,768</u>			
Total Capital Leases	<u>\$ 2,780,381</u>			<u>\$ 1,054,240</u>

These leases cover a 31 to 60 month period. The institution has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation.

There is also a fiscal funding addendum that states that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

The amount capitalized as leased property under capital leases is the amount of the original obligation. During the fiscal year ending June 30, 1995, the capital lease obligation included funding for the acquisition of software not required to be used with the capital lease computer equipment. Software is not capitalized per state of Mississippi purchasing procedures. Therefore, the amount of the software is shown as a reconciling item in the above schedule.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 1995

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending June 30	Total	Bonds	Leases
1996	\$ 743,611	261,459	482,152
1997	468,972	202,420	266,552
1998	446,430	203,904	242,526
1999	323,588	204,497	119,091
2000	258,886	199,341	59,545
Later years	2,464,548	2,464,548	
Total	4,706,035	3,536,169	1,169,866
Less: Amounts Representing Interest	1,712,164	1,596,538	115,626
Total at Present Value	\$ 2,993,871	1,939,631	1,054,240

(8) Construction Commitments and Financing.

The institution has contracted for the construction of various projects. Listed below are the estimated costs to complete the projects at June 30, 1995. The remaining cost for the archive building is to be funded by a special allocation through the Institution of Higher Learning Board of Trustees. The remaining cost for the fine art facility is to be funded by the Office of Building, Grounds and Real Property Management.

Project	Cost to Complete
Fine arts facility	\$ 414,820
Archive building	2,109,866
Total	\$ 2,524,686

(9) Pension Plan.

Plan Description Delta State University contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the state of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy PERS members are required to contribute 7.25% of their annual covered salary and Delta State University is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the state of Mississippi Legislature. Delta State University's contributions to PERS for the years ending June 30, 1995, 1994, and 1993 were \$1,498,143, \$1,188,289, and \$1,202,762, respectively, equal to the required contributions for each year.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 1995

(10) Deferred Compensation Plan.

The institution, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the institution (without being restricted to the provisions of benefits under the plan), subject only to the claims of the institution's general creditors. Participants' rights under the plan are equal to those of general creditors of the institution in an amount equal to the fair market value of the deferred account for each participant.

The Mississippi Public Employees' Retirement System maintains the deferred compensation plan account in the name of the institution. The amount of assets held for participants employed by Delta State University as of June 30, 1995, was \$116,534.

(11) Foundation.

The Delta State University Foundation, Inc., is an independent corporation formed for the purpose of receiving funds for the sole benefit of the institution. Following is a summary of the foundation's financial position at June 30, 1995, which amounts are not included in the financial statements of the institution:

Assets	Amount
Cash and investments	\$ 3,004,650
Accounts receivable	1,620
Due from other funds	12,227
Building and equipment	6,765
Donated assets	80,000
Total Assets	<u>\$ 3,105,262</u>
Liabilities and Fund Balances	
Accounts payable	\$ 25,260
Deferred credits	154,360
Due to depositors	196,721
Due to other funds	12,227
Fund balances:	
Current Funds:	
Unrestricted	131,295
Restricted	2,578,634
Asset funds	6,765
Total Liabilities and Fund Balances	<u>\$ 3,105,262</u>

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1995

(12) Litigations.

In 1975, Jake Ayers initiated a lawsuit against the state of Mississippi, charging that the state had maintained the racially segregative effects of its prior dual system of post-secondary education in violation of the Fifth, Ninth, Thirteenth and Fourteenth Amendments to the U.S. Constitution, as well as Title VI of the Civil Rights Act of 1964. In June 1992, the U.S. Supreme Court agreed with the Petitioners that the state had failed to dismantle its dual system of post-secondary education and remanded it to the District Court for further consideration. As of the date of this report, further hearings have been held and the court has issued its ruling. Based on this ruling, it appears there will be no adverse impact on Delta State University. However, an appeal has been made by the Plaintiffs and it can not be determined at this point what impact the appeal ruling will have on Delta State University.

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

SUPPLEMENTAL INFORMATION

DELTA STATE UNIVERSITY
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1995

Schedule 1

	CFDA NUMBER	DIRECT FEDERAL	FEDERAL FLOW- THROUGH	TOTAL REVENUES	TOTAL EXPENDITURES
Major Programs					
Research:					
Department of Agriculture:					
Support of Agricultural Research of Mutual Interest	10.200	\$ 546,227		546,227	546,227
Total Research		546,227		546,227	546,227
Student Financial Aid:					
Department of Education					
Federal Supplemental Educational Opportunity Grant Program	84.007	122,557		122,557	160,845
Federal Work-study Program	84.033	291,517		291,517	380,814
Federal Perkins Loan Program - Federal Capital Contributions	84.038	29,080		29,080	418,526
Federal PELL Grant Program	84.063	2,294,635		2,294,635	2,294,635
State Student Incentives Grants	84.069		21,053	21,053	42,877
National Science Scholars	84.242	4,317		4,317	4,317
Private Lending Institutions	N/A				3,803,011
Total Student Financial Aid		2,742,106	21,053	2,763,159	7,105,025
Other:					
National Science Foundation					
Education and Human Resources - Mississippi Alliance for Minority Participation	47.076		119,643	119,643	234,561
Federal Emergency Management Agency - Disaster Assistance	83.516		89,795	89,795	143,929
Total Other			209,438	209,438	378,490
Total Major Programs		3,288,333	230,491	3,518,824	8,029,742
Other Federal Assistance					
Department of Education:					
Educational Research and Development	84.117		77,881	77,881	84,346
Eisenhower Mathematics and Science Education Act - Delta Math Project	84.164		65,710	65,710	65,710
College Library Technology and Cooperation Grants	84.197		38,968	38,968	38,968
Literacy Grant	84.219	3,189		3,189	3,189
National Writing Project	84.XXX		31,548	31,548	1,283
Crows Neck Environment Project	84.XXX		11,220	11,220	10,542
Department of Health and Human Services:					
Licensure Workshops Grant	93.XXX		88,570	88,570	88,570
Public Health Service-II - Medical Library Assistance	93.879		4,755	4,755	4,755
Department of Housing and Urban Development :					
Court of Governors Dorm Interest Reduction Grant	14.103	10,310		10,310	10,310
National Aeronautics and Space Administration:					
Aerospace Education Services Program	43.001		11,182	11,182	28,584
National Science Foundation:					

Connectivity Grant	NCR-9417168	22,827		22,827	22,827
Small Business Administration:					
Business Development Assistance to Small Business	59.005	6,000		6,000	7,086
Small Business Development Center	59.037		37,425	37,425	94,788
National Foundation on the Arts and the Humanities:					
National Endowment for the Humanities					
Promotion of the Humanities - Federal/State Partnership	45.129		11,123	11,123	8,124
Department of Transportation:					
Federal Aviation Administration - Airway Science	20.107	<u>58,922</u>		<u>58,922</u>	<u>58,921</u>
Total Other Federal Assistance		<u>101,248</u>	<u>378,382</u>	<u>479,630</u>	<u>528,003</u>
Total Federal Financial Assistance	\$	<u><u>3,389,581</u></u>	<u><u>608,873</u></u>	<u><u>3,998,454</u></u>	<u><u>8,557,745</u></u>

See accompanying Notes to Schedule of Federal Financial Assistance.

DELTA STATE UNIVERSITY
Schedule of Disbursements for Each Student Financial Assistance Program
For the Year Ended June 30, 1995

Schedule 2

<u>Program</u>	<u>CFDA Number</u>	<u>Year Ended June 30, 1995</u>
Federal Perkins Loan Program:	84.038	
Student loans advanced	\$	399,736
Collection/litigation costs		4,616
Administrative cost allowance		14,175
Total	\$	<u>418,527</u>
Federal Work-study Program:	84.033	
Student wages	\$	267,890
Administrative cost allowance		23,627
Carry forward from 1994		(29,045)
Carry forward to 1996		29,164
Total	\$	<u>291,636</u>
Federal Supplemental Educational Opportunity Grant Program:	84.007	
Student grants	\$	114,863
Administrative cost allowance		7,694
Total	\$	<u>122,557</u>
Federal PELL Grant Program:	84.063	
Student grants	\$	2,287,775
Administrative cost allowance		6,860
Total	\$	<u>2,294,635</u>
State Student Incentive Grant Program:	84.069	
Student grants	\$	<u>42,877</u>
Federal Subsidized Stafford Student Loan Program:	84.032	
Student loans advanced	\$	<u>3,723,250</u>
Federal Parent Loans for Undergraduate Students Program:	84.032	
Student loans advanced	\$	<u>79,761</u>

This schedule is based on award year information instead of fiscal year.

DELTA STATE UNIVERSITY
Summary of Financial Aid Programs Tested
For the Year Ended June 30, 1995

Schedule 3

<u>Financial Aid Program</u>	<u>Grant Number</u>
Federal Perkins Loan Program	P038A42235
Federal Work-study Program (FWS)	P033A42235
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	P007A42235
Federal PELL Grant Program	P063P43563
Federal Subsidized Stafford Loan Program	N/A
State Student Incentive Grant Program (SSIG)	N/A
Federal Parent Loans for Undergraduate Students Program (PLUS)	N/A

DELTA STATE UNIVERSITY

Notes to Schedule of Federal Financial Assistance For the Year Ended June 30, 1995

A. Basis of Presentation.

The accompanying Schedule of Federal Financial Assistance (the schedule) has been generally prepared in the format as set forth in Statement of Position 92-9. The purpose of the schedule is to present a summary of those activities represented by Delta State University for the year ended June 30, 1995, which have been financed by the U.S. Government (federal awards). For the purposes of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Delta State University and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of Delta State University, it is not intended to and does not present either the financial position or the changes in fund balances of Delta State University.

In accordance with Office of Management and Budget (OMB) Circular A-133, federal awards are classified as follows:

Major Programs - Total federal program expenditures, exclusive of Stafford and Perkins Loans advanced, are the larger of three percent of total federal funds expended or \$100,000.

Research
Student Financial Aid (SFA)
Other
Disaster Assistance
Education and Human Resources

Other Federal Assistance - Federal awards that do not meet the definition of major programs.

For purposes of this schedule, SFA expenditures include the total of loans advanced from the various loan programs. These loans are not reported as expenditures on the financial statements but as an increase in notes receivable.

The "Private Lending Institutions" category in the SFA section includes loans made directly to students from the Federal Subsidized Stafford Loan Program and the Federal Parent Loans for Undergraduate Students Program.

Individual awards within each category of federal awards are identified by CFDA number and program name if the award is individually significant to the category of award. All other awards are presented in total by funding agency.

DELTA STATE UNIVERSITY

Notes to Schedule of Federal Financial Assistance
For the Year Ended June 30, 1995

B. Revenue and Expenditure Recognition.

Revenue is recognized when received or when earned by the institution.

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-2 Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general institution activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs and related revenues applicable to these cost recoveries are classified as unrestricted revenues and expenditures of the general purpose financial statements.

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

DELTA STATE UNIVERSITY

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State of Mississippi

OFFICE OF THE STATE AUDITOR

STEVEN A. PATTERSON

AUDITOR

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

January 29, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the balance sheet of Delta State University as of June 30, 1995, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated January 29, 1996.

We have also audited Delta State University's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1995, and have issued our report thereon dated January 29, 1996. The management of Delta State University is responsible for the institution's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards Government Auditing Standards issued by the Comptroller General of the United States and OMB Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Delta State University complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1995.

This report is intended for the use of Delta State University, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

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WILLIAM S. JONES, CPA
Director, Department of Audit

DELTA STATE UNIVERSITY

REPORT ON INTERNAL CONTROL

DELTA STATE UNIVERSITY

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State of Mississippi
OFFICE OF THE STATE AUDITOR
STEVEN A. PATTERSON
AUDITOR

REPORT ON INTERNAL CONTROL

January 29, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the balance sheet of Delta State University as of June 30, 1995, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated January 29, 1996. We have also audited the institution's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards: Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the institution complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended June 30, 1995, we considered the institution's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the institution's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133.

The management of Delta State University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Revenue/cash receipts
- Purchasing/cash disbursements
- Payroll
- Property control
- Journal vouchers/interdepartmental transactions

Administration of Federal Financial Assistance Programs

General Requirements

- Political activity
- Civil rights
- Cash management
- Drug-free workplace
- Financial reporting
- Allowable costs/cost principles
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort
- Reporting
- Cost allocation
- Special requirements, if any

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and we assessed control risk.

For the year ended June 30, 1995, the institution expended 94% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls as required by OMB Circular A-133 to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the institution's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the use of Delta State University, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.



WILLIAM S. JONES, CPA
Director, Department of Audit

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

MANAGEMENT REPORT

DELTA STATE UNIVERSITY

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State of Mississippi

OFFICE OF THE STATE AUDITOR

STEVEN A. PATTERSON
AUDITOR

MANAGEMENT REPORT

January 29, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the balance sheet of Delta State University as of June 30, 1995, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance for the year then ended and have issued our report thereon dated January 29, 1996. We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; the provisions of OMB Circulars A-110 and A-133; the provisions of compliance features identified in the Department of Health and Human Services (DHHS) Guidelines for Audits of Federal Awards to Educational Institutions (guidelines); and the provisions of compliance features identified in the U.S. Department of Education Audit Guide for Student Financial Assistance Programs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Laws and Regulations

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to Delta State University is the responsibility of the institution's management. As part of our audit, we performed tests of the institution's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests indicate that for the items tested, Delta State University had complied with those laws and regulations referred to above, noncompliance with which could have a material effect on the audited financial statements. For items not tested, nothing came to our attention that would lead us to believe Delta State University had not complied with the laws and regulations, noncompliance with which could have a material effect on the audited financial statements.

Compliance with Requirements of the Federal Financial Assistance Programs

A. Compliance with Specific Requirements for Major Programs.

Summary of Transactions for Major Programs.

1. Research.	Number of Items	Total
Department of Agriculture Support of Agricultural Research of Mutual Interest		
Universe		\$ 546,227
Sample	131	105,212
2. Student Financial Aid.	Number of Items	Total
Universe		\$ 7,105,025
Sample	46	93,908
3. Other Major Programs.	Number of Items	Total
A. Federal Emergency Management Agency: Disaster Assistance		
Universe		\$ 143,929
Sample	14	113,127
B. National Science Foundation: Education and Human Resources: Mississippi Alliance for Minority Participation	Number of Items	Total
Universe		\$ 234,561
Sample	55	46,243

For the items tested, we found no instances of noncompliance with specific requirements of the major federal financial assistance programs.

B. Compliance with General Requirements.

We have applied procedures to test Delta State University's compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1995:

1. Political activity
2. Drug-free workplace
3. Civil rights
4. Cash management
5. Financial reporting
6. Allowable costs/cost principles
7. Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the institution's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the preceding paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Delta State University had not complied with those requirements.

State Laws and Regulations

For items tested, the institution had complied with state laws and regulations. For items not tested, nothing came to our attention that would lead us to believe the institution had not complied with state laws and regulations.

Follow-up on Prior Year Findings

Government Auditing Standards require the auditor to disclose the status of known but uncorrected significant or material findings from prior audits. There were no significant or material findings from prior audits that have not been resolved.

This report is intended for the use of Delta State University, the cognizant audit agency and other federal audit agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

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WILLIAM S. JONES, CPA
Director, Department of Audit

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY
DATA SHEET
For the Year Ended June 30, 1995

Lead Auditor: Norman McLeod, CPA

Telephone Number: (601) 364-2720

Contact Person at Institution: Dan Nixon, Director of Accounting

Address of Contact: Delta State University; Business Office; Cleveland, Mississippi 38733

Telephone Number of Contact: (601) 846-4021

The field audit work was performed between September 18, 1995 and January 29, 1996, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Kethley Building	Business Office	9/18/95 - 1/29/96
Union Building	Business Office	9/18/95 - 1/29/96
Union Building	Student Financial Aid Office	9/18/95 - 1/29/96

Institution's Accrediting Organization: Southern Association of Colleges and Schools

The institution utilizes a student financial aid (SFA) servicer.

Records for the accounting and administration of the SFA programs are located at the Union Building and the Kethley Building at Delta State University.